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November 23, 1999

BY HAND DELIVERY

David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

Re: Universal Service
Docket No. 97-00888

Dear Mr. Waddell:

Enclosed is an original and thirteen copies of AT&T's Response to Comments made by BellSouth and United Telephone on October 18, 1999, and October 15, 1999, respectively. Also enclosed are two CD-ROM's referenced in AT&T's Response.

Thank you for your assistance in this matter. If you have any questions, please do not hesitate to call me.

Sincerely,


Jim Lamoureux

Encls.

cc: Richard Collier, Esq.

BEFORE THE TENNESSEE REGULATORY AUTHORITY
Nashville, Tennessee

IN RE:

UNIVERSAL SERVICE
PROCEEDING

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Docket No. 97-00888

AT&T'S RESPONSE TO BELL SOUTH AND UNITED COMMENTS

AT&T Communications of the South Central States, Inc. ("AT&T") hereby responds to Comments filed by BellSouth and United on October 18, 1999, and October 15, 1999, respectively.

1. In the Interim Order on Phase II of Universal Service, entered September 16, 1999, the Authority required that each party "submit revised cost studies and supporting calculations, compliant with this Order and the Phase I Order, within fourteen (14) days of the date of this Order." The Order also provided that "each party shall submit comments on the compliant cost studies and revenue benchmark submissions within thirty (30) days."
2. In its comments, BellSouth contends that AT&T did not provide a complete HAI Model but rather only the inputs and results of this particular run. BellSouth is correct in this regard. AT&T did not provide a copy of a complete Model, because BellSouth already possessed a copy of the HAI Model which could be used to verify the inputs and results that AT&T submitted on September 30, 1999. Nevertheless, in order to further assist BellSouth's review, AT&T is attaching another copy of the HAI Model to this filing.

3. BellSouth also argues that AT&T has changed the Model from HAI 5.0 to HAI 5.0a since it was presented to the Authority at the Phase II hearing on this matter.

BellSouth is wrong. AT&T filed version HAI 5.0a in this proceeding. The note on BellSouth's Exhibit A, Page 1 of 2 (first line on document) which reads, "NOTE: This sheet displays all user adjustable inputs which vary from HM 5.0 default settings" is incorrect. This line was not provided by AT&T, but was added by BellSouth. If BellSouth will look further, all module names reference 5.0a in their corresponding filenames. To further dispel BellSouth's argument, attached is a copy of Rebuttal Testimony dated April 9, 1998 by Dr. Robert Bowman, on behalf of BellSouth, where he addresses the HAI Model, Release 5.0a.

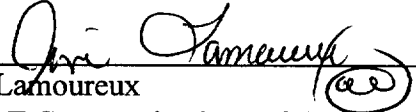
4. BellSouth contends that AT&T has made changes to the workfile since its original submission in this case. This also is incorrect. The original workfile name was "HMWKTN2951851.xls" and the workfile name filed on September 30, 1999 is "HMWKTN2951855.xls". However, each time the Model is run, an internal tracking mechanism changes the workfile name--specifically the numeric extension or last digit of the workfile name. AT&T has obviously run the Model several times since its original submission in this case; therefore, the extension changed from 1 to 5. The change of the workfile name, however, does not change the Model being run. Thus, this change is irrelevant to the Tennessee data in the workfile.

5. Lastly, BellSouth argues that AT&T has filed the current distribution module from Georgia rather than Tennessee, and that the original expense module may have been changed from one used in Louisiana. Again, BellSouth is incorrect. The distribution module "R50a.xls" was renamed "R50a_distribution GA corrected 1027.xls" merely

as a name change to indicate that a change had been made to the Georgia distribution data. There was no impact to the Tennessee distribution data as a result of this change. The same holds true for the expense module "R50a_expense_WC LA 2-26-98.xls", which was renamed "R50a_expense_wirecenter.xls". This simple name change occurred to make the expense module name more generic for informational purposes only. Again, there was no impact to the Tennessee expense module data.

6. United, in its Comments, argues that AT&T's total line count of 241,108 is understated, resulting in an overstated USF cost per line. United is correct. The impact of this correction, however, is to lower the size of the fund by approximately .0058%. This resulted from an error in the wirecenter template. The problem has been corrected and a revised model run is attached to this filing.
7. United also contends that AT&T's aerial feeder and aerial distribution inputs for all density ranges are 25%. United is again correct. The Aerial Feeder change was inadvertently omitted. The difference would have been approximately 3.7%. Again, the problem has been corrected in the revised Model run attached hereto.
8. The new adjusted fund size for United is \$3,503,136, representing the corrections for the errors in the wirecenter template (resolved in #6) and the aerial feeder and aerial distribution (resolved in #7). This is a total difference of \$228,069 from the fund size amount identified by AT&T on September 30, 1999.

Respectfully submitted,



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Dated: November 23, 1999

CERTIFICATE OF SERVICE

I James P. Lamoureux, hereby certify that a true and exact copy of the foregoing has been served on counsel of record and other interested parties via First Class Mail postage prepaid, this 23rd day of November, 1999.


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